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D.H. HOWDEN
&
CO. LIMITED
ANNUAL REPORT
1970

DIRECTORS

John W. Adams, F.C.A.
John D. Harrison, M.B.E., Q.C.
Donald R. Hughes
Norman McBeth
Roy W. Robertson
David H. M. Stewart

OFFICERS

President and Chairman of the Board
David H. M. Stewart

Secretary-Treasurer and Director of Finance
Norman McBeth

SENIOR MANAGEMENT

Controller
K. G. Allaster, C.A.

Director — Marketing, Hardware
W. J. Tarvit

Director — Marketing, Electrical Supply
C. W. K. Leroy

Director — Operations
M. C. Humphrey

Director — Merchandising
R. C. McKerlie

Director — Retail Stores
M. E. Grant, C.A.

RELATED COMPANIES

Computer Horizons (Canada) Limited
President — S. R. Millar

Wiseway of Canada Limited
President — R. T. Foran

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D. H. HOWDEN & CO. LIMITED
and subsidiary companies

To the Shareholders:

In spite of depressed level of consumer demand and adverse conditions in the building trades, sales for the first quarter of 1970 were 4% above the same period in 1969. Consolidated profits after tax were $16,583. The profit figure is inclusive of the Company's retail division, and it should be pointed out that due to seasonal influences, retail hardware stores normally operate in a loss position for the first quarter of the year.

Comparable profit figures for 1969 are not shown, because of difficulties experienced with the computer installation during the first four months of that year. By reason of technical difficulties, any such statement would be estimate only. Comparative statistics will be resumed starting with the mid year report.

As a result of the sale of the Toronto warehouse and as previously announced, all order production for the Company's hardware divisions was consolidated into enlarged warehouse facilities in London late in March. Planned cost reductions have been made. At time of writing the total staff is now 37 less than in March.

The first quarter results re-affirm the normal highly seasonal pattern of our industry with sales about 20% of annual volume, and profits minimal. Sales and earnings tend to expand with the better weather of the ensuing quarter.

Depressed conditions in the construction industry have been particularly distressing, and the immediate future is still clouded. Current economic restrictions obviously hamper progress. We express the hope that Governmental policies will soon adjust to promote employment and encourage business activity.

D. H. M. Stewart
President

May 1, 1970

CONSOLIDATED STATEMENT OF EARNINGS

	For the Three Months Ended March 31, 1970
Gross Sales	$ 4,694,563 ✓
Estimated Net Income Before Taxes	22,835
Estimated Provision for Income Taxes	6,252
Net Profit After Taxes	$ 16,583 ✓
Dividends to Preference Shareholders	$ 6,835
Earnings Available to Common Shareholders	$ 9,748
No. of Common Shares Outstanding	500,000
Earnings Per Common Share	1.9 cents

The above information is taken from the Company's unaudited interim financial statements as at March 31, 1970 and is subject to adjustment on audit at December 31, 1970.

D. H. HOWDEN & CO. LIMITED

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INTERIM REPORT TO THE SHAREHOLDERS

For the Three Months Ended
March 31, 1970

D. H. HOWDEN & CO. LIMITED

INTERIM

REPORT

TO THE

SHAREHOLDERS

For the Nine Months Ended
September 30, 1970

D. H. HOWDEN & CO. LIMITED
and subsidiary companies

To the Shareholders:

Consolidated sales for the first nine months of 1970 were 8% below the same period in 1969. During the summer, sales were depressed but a general awakening at the retail level occurred in September and total sales for the month approximated September 1969. However, sales areas associated with the building trades continue to be lethargic. For reasons of prudence, the Company continues a policy of strong emphasis on credit control which does restrict sales. The collection of receivables improved in September to reverse a trend of earlier months.

Estimated net income for the nine months of $83,609 or 14 cents per share, is below 1969. This is a result of both lower sales and higher operating costs, the latter arising from the construction of a new distribution centre in London, the closing of the Toronto storage warehouse, and the cost of developing new subsidiaries and sales divisions. However, in the month of September, for the first time in 1970, total operating cost as well as total percentage cost to sales, showed a decline when compared with September 1969, reflecting increased operating efficiency of the Company as well as the benefit derived from major economies of consolidating activities. Monthly profit also exceeded that of September 1969. Any improvement in the economic climate will naturally benefit the profit picture of the Company, as will revenue from new subsidiaries.

D. H. M. Stewart
President

October 30, 1970

CONSOLIDATED STATEMENT OF EARNINGS

	For the Nine Months Ended September 30	
	1970	1969
Gross Sales	$15,128,682	$16,249,025
Estimated Net Income Before Taxes	163,609	467,973
Estimated Provision for Income Taxes	80,000	240,000
Net Profit After Taxes	$ 83,609	$ 227,973
Dividends to Preference Shareholders	$ 13,423	$ *14,611
Earnings Available to Common Shareholders	$ 70,186	$ 213,362
No. of Common Shares Outstanding	500,000	500,000
Earnings Per Common Share	14 cents	*42.6 cents

* For the purposes of consistency, this amount is adjusted to reflect dividends payable October 15, 1969, to holders of First Preferred Shares of record September 30, 1969.

The above statements are taken from the Company's unaudited interim financial statements as at September 30, 1970 and are subject to adjustment on audit at December 31, 1970.

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D. H. HOWDEN & CO. LIMITED

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INTERIM REPORT TO THE SHAREHOLDERS

For the Six Months Ended
June 30, 1970

PRO
HARDWARE STORES

D. H. HOWDEN & CO. LIMITED
and subsidiary companies

To the Shareholders:

Consolidated sales in the first half of 1970 were 9.3% less than the same period in 1969. As would be expected under prevailing economic conditions, sales relating to the building trades such as electrical supply, contract hardware and building materials, showed reduced volume. Higher ticket items or hardware durables such as power equipment, appliances and high value sporting goods items also showed reduced volume, again reflecting decreased or postponed consumer demand. However, sales of consumable hardware items remain high and follow normal seasonal patterns.

Government policies restricting bank credit have resulted in generally slower payment patterns from the retail trade with consequent higher accounts receivable. For reasons of prudence, we ourselves have restricted Company sales in certain directions.

Consolidated profits estimated for the first half of 1970 are $28,615 compared with $156,346 in 1969. The decrease is largely a result of reduced sales volume mentioned above as well as higher operating costs in the first four months during construction of the new warehouse addition in London and the closing of our warehouse operations in Toronto. This consolidation of activities has resulted in a major staff reduction and productivity increase.

A projection of present sales conditions following normal seasonal patterns when combined with already effected cost reductions indicates improved profit performance in the last half of 1970. The Company is now in an excellent position to fully capitalize on any general improvement in national economic conditions so necessary for sustained long-term growth.

D. H. M. Stewart
President

July 27, 1970

D. H. HOWDEN & CO. LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

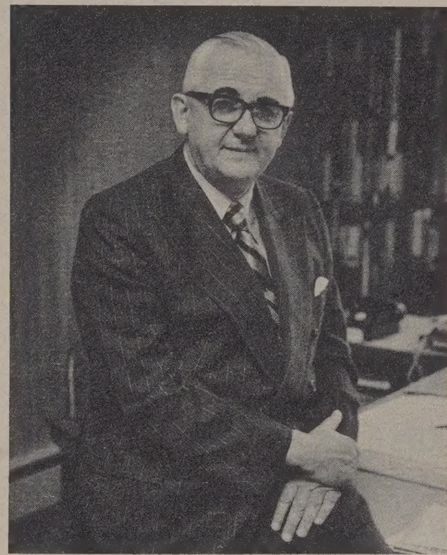
	For the Six Months Ended June 30	
	1970	1969
Sales	$9,475,512	$10,457,478
Estimated Net Income Before Taxes	69,615	313,346
Estimated Provision for Income Taxes	41,000	157,000
Net Profit After Taxes	$ 28,615	$ 156,346
Dividends to Preference Shareholders	6,835	7,442
Earnings Available to Common Shareholders	$ 21,780	$ 148,904
No. of Common Shares Outstanding	500,000	500,000
Earnings Per Common Share	4.3 cents	30 cents

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	For the Six Months Ended June 30	
	1970	1969
Source of Funds		
From Operations		
Net Income for the period	$ 28,615	$ 156,346
Depreciation charged against Income	23,534	19,593
	52,149	175,939
Second Preference Shares Issued	12,500	5,500
Refund of special refundable tax	1,660	
Proceeds from Mortgage	45,000	
Proceeds from Sinking Fund Debenture (6%)		1,000,000
	$ 111,309	$ 1,181,439
Application of Funds		
Investment in property, plant and equipment	$ 76,740	$ 21,446
Purchase of First Preference Shares	12,250	10,000
Redemption of Second Preference Shares	7,500	
Payment of Dividends	6,835	22,442
Reduction of Long Term Debt	15,357	106,561
	$ 118,682	$ 160,449
Increase (Decrease) in Working Capital	$ (7,373)	$ 1,020,990

The above statements are taken from the Company's unaudited interim financial statements as at June 30th, 1970 and are subject to adjustment on audit at December 31st, 1970.

To Our Shareholders :



The Board of Directors submits herewith the Annual Report of the Company and its subsidiaries together with the Consolidated Financial Statements for the year ended December 31st, 1970 and the report of your auditors thereon.

Sales for the year were $20,118,085 a decrease of 7.7% from the previous year. Consolidated income from operations was $104,647 or 16 cents per share compared with $183,911 or 32 cents per share in 1969.

GENERAL

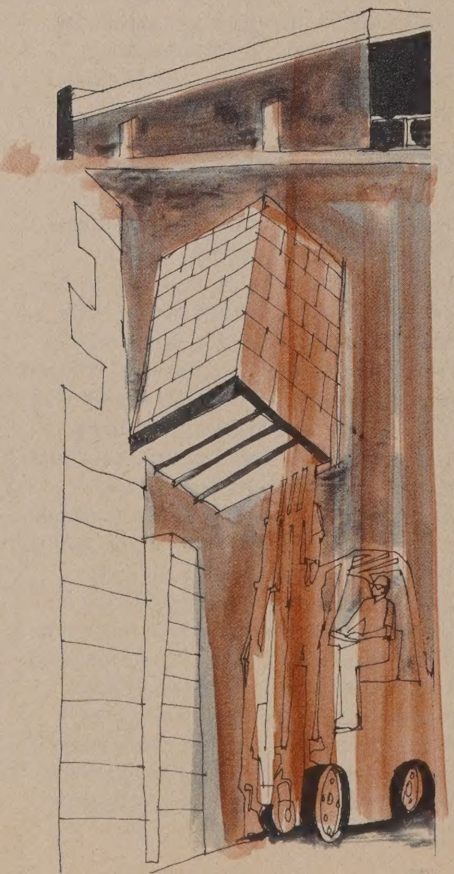
Economic conditions in the Hardware industry, like many other types of business, reflect the general state of the economy. Starting in the fall of 1969 the Government's tight money policy forced a restriction on consumer demand and employment. There was a decline in sale of items relating to the building trades as well as higher priced items such as firearms, power equipment and appliances, or items which the consumer could conveniently postpone purchasing. Some dealers were thus faced with inventory problems, having purchased to meet a similar sales level as existed in 1969. A period of readjustment to bring retail inventories into line with sales became inevitable. Chartered banks, forced to restrict credit in many areas, contributed to a financing problem for some dealers who then looked to their

suppliers for financial assistance. This in turn induced suppliers such as ourselves to restrict sales volume in some marketing sectors which formerly had been considered productive. This restriction was necessary, rather than tying up valuable capital on a semi-permanent basis in inadequately financed accounts.

Faced with reduced sales volume (as opposed to the normal 10% advance of previous years) and increasing unit operating costs, much greater emphasis had to be placed on cost control and higher employee productivity. It became necessary to devise new ways of profitably expanding the business, and to do so by means of talents and knowledge already possessed within the Company.

OPERATIONS

In the last quarter of 1969 we sold our Toronto warehouse and commenced the expansion of London facilities. The transfer of operations to London was largely completed by May 1970, and during these months we experienced considerable one-time costs to complete this operating change. However, as a result we have been able to make major staff reductions, and to obtain improved efficiency and cost savings through elimination of duplications. The cost of this project was all written off against 1970 earnings.



FRANCHISE OPERATIONS

a) Pro Hardware Stores

The number of Pro stores at the end of 1970 remains unchanged from the close of 1969. We did however add new stores throughout the year but lost some for economic reasons. Some dealers, underfinanced, were unable to weather the economic storm. A few had difficulty in attaining standards required by Pro, and their franchises were therefore terminated. Sales to franchised dealers for the year were essentially the same as those in 1969.

b) Wiseway of Canada Limited

The Company's new franchise program for the building materials dealer was initially presented in October 1970, and sufficient subscribers to begin operations have now been enrolled. The new company, a joint venture between the dealers and Howden, will operate a brokerage business in building materials and will make special efforts to develop more attractive and updated home centres for greater consumer appeal. The Management Horizons Retail Data System will be a central element to the program. We look for this new development to be a major growth area in ensuing years.

PRO

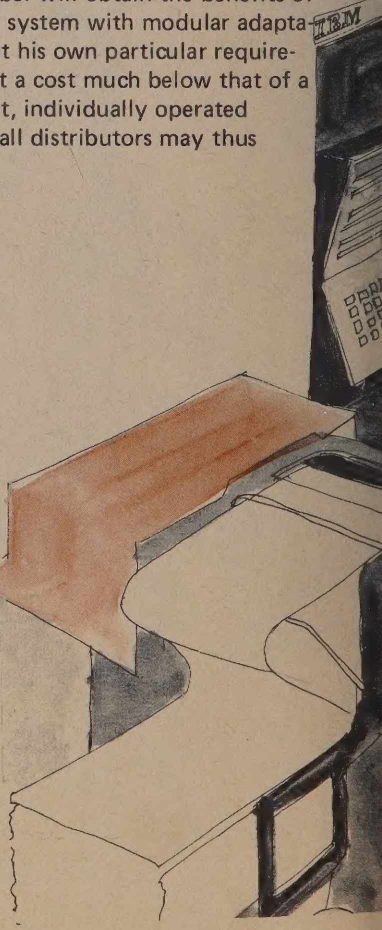
WISEWAY

IBM INSTALLATION

By the summer of 1970 we had completed the installation of our IBM 360—25 computer in all phases of the Hardware operation, and by December had effected the major protion of the installation in Howden's Electrical Supply. Key computer personnel engaged in this development then transferred to new activities, Computer Horizons (Canada) Limited and Management Horizons Retail Data Systems.

COMPUTER HORIZONS (CANADA) LIMITED

This new Canadian company began operations in September 1970. It is a result of a joint venture agreement with Management Horizons Inc., Columbus, Ohio. The Canadian company has exclusive rights to sell Management Horizons' computer systems to the distribution trades in Canada. The individual subscriber will have a terminal and printer in his office connected by data lines to two large computers located in Columbus. The subscriber will obtain the benefits of a total EDP system with modular adaptation to meet his own particular requirements, all at a cost much below that of a less efficient, individually operated system. Small distributors may thus



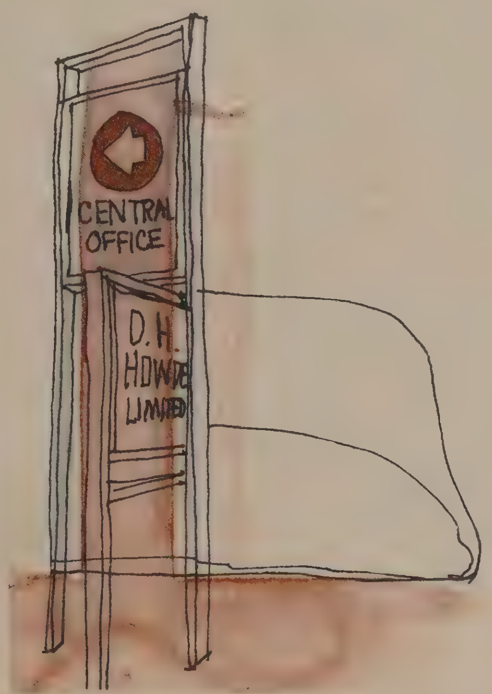
enjoy the cost and efficiency benefits formerly available only to the industry giants. At time of writing, some 55 U. S. distributors in hardware, drugs and food, have jointed the successful Management Horizons' program. The Canadian company is now making presentations to potential Canadian subscribers, and it is expected that sufficient will be enrolled in the ensuing months to project a profitable operation.

MANAGEMENT HORIZONS RETAIL DATA SYSTEMS (MHRDS)

This system, jointly developed with Management Horizons at considerable cost, will be sold by Howden in Ontario and by Management Horizons in the United States. The system will also be available to interested chartered subscribers of the large Computer Horizons system. It was essentially designed to meet the needs of a retail hardware store, and a larger system will be used for building materials dealers where the sale of lumber and similar products creates special problems. The retailer, using a new model cash register, will capture all his transactions on punched paper tape. The tape will be sent to Howden and fed into the computer. The dealer will receive monthly his accounts receivable statements, aged accounts receivable analysis, inventory management reports, profit and loss statements and balance sheet, all at a cost in many cases less than his present partially manual system. The system has been tested in four stores, and after modifications and programming improvements is now being sold to other retailers. The application of EDP to retailing is a major new market, and at the present time your Company is in a leading position to take advantage of this growing need. Most small retailers require such a system to reduce costs and to obtain turnover of capital and asset control equal to or better than their larger retail competitors.

OUTLOOK

We would expect that new Government policy presumably designed to stimulate the economy and employment, will strengthen consumer demand for hardware items. The forecast increase in home and industrial building should similarly bolster demand for electrical products and contract hardware. More importantly, beneficial results from the Company's new activities are viewed as realistic. Reflecting all these influences, our 1971 budgets anticipate improved sales and profits from operations.



IN APPRECIATION

We record with sorrow the death in July of Mr. J. J. Stewart, Honorary Chairman of the Board. For many years prior to 1969, Mr. Stewart served the Company with distinction as Board Chairman and in many other vital aspects of management. His wisdom and counsel will be missed.

We must report also, with regret, the resignation from the Board of Dr. D. S. R. Leighton, and we record our appreciation for his help and service. Since joining the Board in February of 1969, Dr. Leighton's contributions have been most invaluable, especially in the field of marketing. His recent appointment as Director of the Banff School of Fine Arts, and consequent relocation in Banff, Alberta, has prompted his decision.

Mr. Joseph H. Unger, retired President of Metropolitan Stores of Canada Ltd., and formerly President of H. L. Green Co. of New York, has agreed to stand for election as Director, taking Dr. Leighton's place on the Board. Mr. Unger will bring to the Board extensive experience in modern retailing and finance.

The Company's valuable resources reside in the goodwill of its customers, the experience and loyalty of its employees, excellent relations with suppliers and the support of its shareholders, and to these we express appreciation on behalf of the Board.

David H. Stewart

President

D. H. HOWDEN & CO. LIMIT

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CONSOLIDATED BALANCE

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ASSETS

	1970	1969
Current		
Cash	$ 149,699	$ 123,404
Accounts receivable, less allowance for doubtful accounts of $146,441 in 1970 and $130,768 in 1969	3,089,443	3,092,691
Income taxes recoverable	60,281	36,746
Current portion of mortgage receivable	20,000	—
Inventories — at the lower of cost and net realizable value	2,592,864	2,803,080
Prepaid expense	76,004	40,872
Building under construction (Note 4)	—	135,134
	5,988,291	6,231,927
Property, plant and equipment — at cost	491,186	491,293
Less accumulated depreciation	243,355	280,503
	247,831	210,790
Other		
Cash surrender value of life insurance	18,828	17,557
Investment in and advances to 50% — owned company — at cost (Note 2)	67,728	—
Equity in unconsolidated subsidiaries — at cost (Note 1)	2,800	2,810
Special refundable tax	—	1,937
Mortgage receivable	220,000	—
Amount due under agreement of sale	—	285,000
Deferred income taxes (Note 3)	27,800	29,400
	337,156	336,704
	$6,573,278	$6,779,421

On behalf of the Board

DAVID H. M. STEWART Director

N. McBETH Director

D SUBSIDIARY COMPANIES

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T AS AT DECEMBER 31, 1970

ures for 1969)

LIABILITIES

	1970	1969
Current		
Bank indebtedness — secured	$1,045,875	$1,501,201
Accounts payable and accrued liabilities	1,830,359	1,618,916
Current portion of long-term debt	30,523	36,764
	2,906,757	3,156,881
Long-term debt (Note 7)	1,093,241	1,123,664

SHAREHOLDERS' EQUITY

	1970	1969
Capital stock (Note 8)		
5½% cumulative redeemable participating sinking fund first preference shares of $50 par value each		
Authorized, issued and fully paid		
1970 — 4,711 shares; 1969 — 5,036 shares	235,550	251,800
3% non-cumulative redeemable second preference shares		
Authorized shares of $1 par value each		
1970 — 404,000 shares; 1969 — 422,000 shares		
Issued and fully paid		
1970 — 277,500 shares; 1969 — 270,000 shares	277,500	270,000
Common shares		
Authorized — 1,000,000 shares without par value		
Issued and fully paid — 500,000	290,500	290,500
Retained earnings	1,769,730	1,686,576
	2,573,280	2,498,876
	$6,573,278	$6,779,421

D. H. HOWDEN & CO. LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	1970	1969
Balance at January 1	$1,686,576	$1,357,795
Add net income for the year	104,647	365,901
	1,791,223	1,723,696
Deduct: Dividends —		
First preference shares	13,423	14,611
Second preference shares	8,070	7,509
Common shares	—	15,000
	21,493	37,120
Balance at December 31	$1,769,730	$1,686,576

D. H. HOWDEN & CO. LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	1970	1969
Gross sales	$20,118,085	$21,796,287
Less sales tax	1,606,042	1,776,048
	18,512,043	20,020,239
Cost of sales	14,060,089	15,452,539
Gross profit	4,451,954	4,567,700
Other income	279,620	234,473
	4,731,574	4,802,173
Operating expenses and dealer rebates	4,305,271	4,258,691
Bank interest	92,368	93,276
Interest on long-term debt	71,277	51,093
Depreciation	42,411	32,507
	4,511,327	4,435,567
Income before income taxes	220,247	366,606
Provision for income taxes — current	114,000	204,095
— deferred	1,600	(21,400)
	115,600	182,695
Income before extraordinary item	104,647	183,911
Extraordinary gain on sale of land and building	-	181,990
Net income for the year	$ 104,647	$ 365,901
Earnings per share		
Income before extraordinary item	$0.16	$0.32
Net income for the year	$0.16	$0.68

D. H. HOWDEN & CO. LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1970

(with comparative figures for 1969)

	1970	1969
Source		
Income		
Net income for the year	$104,647	$ 365,901
Non cash charges — Depreciation	42,411	32,507
— Deferred income taxes	1,600	(21,400)
	148,658	377,008
Less extraordinary gain on sale of land and building	—	181,990
	148,658	195,018
Net proceeds from sale of land and building	—	254,200
Sale of shares in unconsolidated subsidiary	10	10
Refund of special refundable tax	1,937	1,491
Proceeds from sinking fund debenture	—	1,000,000
Proceeds from agreement for sale	285,000	—
Proceeds from chattel mortgage	—	30,000
Second preference shares issued	25,500	51,500
	$461,105	$1,532,219
Application		
Additions to property, plant and equipment	$ 79,452	$ 75,385
Increase in cash surrender value of life insurance	1,271	1,222
Investment in and advances to 50% — owned company	67,728	—
Amount due under agreement for sale	—	285,000
Decrease in long-term debt	30,423	35,690
Investment in mortgage receivable	220,000	—
Purchase of first preference shares for redemption	16,250	18,850
Purchase of second preference shares for redemption	18,000	37,500
Payment of dividends	21,493	37,120
	$454,617	$ 490,767
Increase in working capital	$ 6,488	$1,041,452

D. H. HOWDEN & CO. LIMITED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1970

1. Principles of Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Howden-Howland Limited, Cowan Hardware (1968) Limited, D. H. Howden Stores (Central) Limited, and Wiseway of Canada Limited.

The equity of D. H. Howden & Co. Limited in unconsolidated subsidiaries consists of the company's investment in Pro Hardware (Canada) Limited and in Span-Canada Electric Limited. These companies are composed of a number of non-competing wholesalers across Canada who participate in an integrated merchandising program and volume purchasing. While these two companies are technically subsidiaries of D. H. Howden & Co. Limited through ownership of voting control, the volume discounts derived from their operations are apportioned to the participating member companies on the basis of volume. The portion of such volume discounts attributable to the purchases by D. H. Howden & Co. Limited has been reflected in the accompanying financial statements but it was considered inappropriate to consolidate the assets and liabilities of these companies since they consist primarily of amounts due from unrelated companies to these subsidiaries with offsetting amounts due to various manufacturers for purchases made on their behalf.

Wiseway Home and Building Centres (Central) Limited, a wholly-owned subsidiary of Wiseway of Canada Limited, was incorporated in 1970 but did not commence operations during the year.

2. Jointly-Owned Company

Computer Horizons (Canada) Limited is a company jointly owned with Management Horizon Data System Inc. (formerly Computer Horizons Inc.) of Columbus, Ohio. Computer Horizons (Canada) Limited, which was incorporated in 1969 and commenced operations September 1, 1970, provides data processing services and data processing counselling services in Canada. The company incurred a net loss of $75,459 for the year ended December 31, 1970. Of this amount approximately $55,000 represents development costs of the retail financial system. D. H. Howden & Co. Limited's share of the net loss is $37,730, which has not been reflected in the accounts of D. H. Howden & Co. Limited. The ultimate collection of advances by D. H. Howden & Co. Limited to Computer Horizons (Canada) Limited of $66,728 is contingent upon the future earnings of that company.

3. Deferred Income Taxes

Deferred income taxes arise only on consolidation because the elimination of inter-company profits in inventories results in a decrease in consolidated net income for the year and a consequent reduction in consolidated income taxes payable. Similar reclassifications of the 1969 comparative figures have been made to conform to this presentation.

4. Building Under Construction

The company contracted, at a cost of approximately $350,000, for the construction of an addition to the premises rented from North American Life Assurance Company. Upon completion in 1970 the addition was sold to North American Life Assurance Company under a sale and leaseback agreement.

5. Lease Obligations

Annual rentals payable for warehouse and retail premises under leases expiring more than three years from December 31, 1970 approximate $140,000. Such leases expire at varying dates before 1995.

6. Contingent Liabilities

The company is contingently liable for trade paper under discount to the amount of $54,914.

7. Long-term Debt

	1970	1969
D. H. Howden Stores (Central) Limited 8% chattel mortgage repayable in semi-annual instalments of principal of $2,143 plus interest, maturing August 1, 1976.	$ 25,714	$ 30,000
Cowan Hardware (1968) Limited 8% first mortgage debenture repayable in monthly instalments of $1,923 — blended principal and interest, maturing May 1, 1977.	117,050	130,428
D. H. Howden & Co. Limited 6% floating charge sinking fund debentures maturing May 1, 1989.	981,000	1,000,000
	1,123,764	1,160,428
Less portion due within one year	30,523	36,764
	$1,093,241	$1,123,664

Under the terms of the Trust Indenture dated May 1, 1969 relating to the 6% sinking fund debentures, the company is required to pay the trustee for sinking fund purposes by May 1 each year commencing 1970, a sum equal to 10% of the company's net income excluding that of subsidiary companies.

8. Capital Stock

First Preference Shares

The provisions relating to the payments of dividends confer upon the holders of first preference shares a right to participate in dividends on an equal basis with the common shareholders up to a maximum of $2 per share, after a dividend of $.06 has been declared on each common share.

Under the redemption provisions attaching to the first preference shares, 325 shares were purchased for cancellation during the year at a cost of $13,920.

Second Preference Shares

During the year 25,500 second preference shares were issued for cash and 18,000 shares were redeemed at par value.

9. Remuneration of Directors and Senior Officers

The aggregate direct remuneration by the company and its subsidiaries to the directors and senior officers for the year ended December 31, 1970 was $126,052.

AUDITORS' REPORT

The Shareholders
D. H. Howden & Co. Limited
LONDON, Ontario

We have examined the consolidated balance sheet of D. H. Howden & Co. Limited and its subsidiaries as at December 31, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Ontario
February 11, 1971

Touche Ross & Co.

Chartered Accountants.